



A MODEST MEMBER

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Death duty the death of us all

Last week I reluctantly agreed that there should be some kind of capital tax and that the death duty taxes were about the worst form of such a tax.

My chief objection is that the bigger you are, the more worthwhile it is to spend considerable amounts of money to make certain that you escape paying your proper share.

Here again, my experience during the prosperous years of the past has taught me something about avoiding probate.

In those good old days, my accountant and I thought up some very clever schemes, some of which the Government has not yet found out about, or at least hasn't yet stopped.

And when they stop these, I am sure my accountant will think of something else, quite legal of course, but a bit hard to follow and pleasantly devious.

My accountant has a very fertile mind — and if he hadn't, I'd get one that had.

But the trouble is that the chap with a smaller amount of property doesn't worry about these things so much.

And there is, (thanks be) still a considerable hard core of people in the community who are basically honest who think it is morally wrong, even if legally right, to get up to the kind of tricks that I engage in.

Now these people are just the ones who get clobbered by death duties and they are just about the most worthy people we have left.

The justification for death duties is said to be that it prevent the accumulation of large fortunes in the hands of rich families.

But if this is as bad as it is said to be, then it is certain that death duties are not effectively preventing it — not generally, and not now.

But they are catching the chap in the middle and lower wealth bracket just because he is too simple to be cunning, or too small to make the evasion worthwhile.

The second nasty thing about death duties is their uncertainty.

It is true you are certain that you are going to die sometime, but it would be a great comfort if you knew when. The uncertainty of not knowing often leads to over-insurance which is expensive.

Thirdly, death duties hit a family just at the wrong time. When the bread-winner dies, the Government steps in and clobbers the widow and kids.

And if disaster strikes extra hard and both mother and father die soon after each other, then the Government gets it for an extra serve from the kids alone. No wonder people dislike members of Parliament!

Fourthly, winding up an estate often takes years and years.

I know of many cases where land, when a husband dies, was worth, say, \$100 an acre and attracted death duties on those values. Yet by the time the estate was finalised the land value was \$50 an acre.

This can be a devastating blow on a farm property and it is not confined to farms, of course. The same thing has frequently happened with falls in share prices.

And finally, it is plainly ridiculous to have a probate system which tends to make rural holdings smaller while at the same time having a rural reconstruction scheme that sets out to make rural holdings bigger.

One of the side-effects of abolishing death duties would be that life insurance payments would diminish. I do not think this is necessarily a bad thing.

We now have the rather queer situation where the Commonwealth cannot afford to build its own buildings, so it rents a great deal of space from insurance companies at a cost that is considerably greater than if it built for itself.

But one of the reasons why life insurance companies have so much money to invest in building is the taxation concession on life insurance premiums.

So the consolidated revenue is really paying for a considerable portion of the cost of the insurance buildings and then has to pay high rents for the buildings it can't afford to build.

Summing it all up, death duties are a lousy form of capital taxation which ought to be replaced with another system.

I seem to be heading for a capital gains tax — Mavis will never forgive me!